

Wealth Markets and Commerce

Finance - Economics

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To what extent the developments in Russia have been responsible for the somewhat more irregular tendencies displayed in the price movement of speculative and investment securities during the past week it is difficult to say. It has been apparent, however, that the German successes, with the indications that they will lead ultimately to the complete subjugation of the Russian Empire, or a large part of it, by Germany unless the impossible happens and the Russians find themselves, have had a sobering effect on sentiment in the financial community. In most quarters the conviction has been strengthened that the news from Russia means a much longer war, and that by building up the hopes of her people on the military successes on this front the German military party will be able to prolong its existence. Considering the importance of Germany's latest stroke, it is surprising that securities have held up so well, for stocks and bonds at no time last week displayed weakness, the undertone at all times being strong, despite the moderate reactions which occurred at intervals. Professional traders continued their tactics of bidding up the specialties, much of their attention converging on tobacco, shipping and leather issues. Sentiment, so far as the industrial shares were concerned, was helped by the reports in the basic trades of increasing activity with the return of more seasonable weather and general indications that the railroad congestion and fuel shortage had been greatly alleviated. From now on it is expected that production in iron and steel and other lines will more closely approach normal.

In the investment market there continues to be an active demand for municipal notes, several small issues having been quickly placed during the past week on a favorable basis. New York City sold a block of \$5,000,000 of its revenue bills on a basis of 4½ per cent, while the city of Newark disposed of \$2,300,000 notes, which the bankers offered for sale on a 4½ per cent basis. The State of Massachusetts sold \$5,000,000 notes on 4.55 per cent basis. The inquiry for long-term investment bonds of the highest grade has been fairly good, although tighter money conditions are operating to restrict any pronounced broadening of this market. The principal development of the week in its effects on the investment situation was the announcement made by Secretary of the Treasury McAdoo that the next issue of \$500,000,000 of certificates of indebtedness which the banks are to be asked to buy will bear a rate of 4½ per cent. This is an increase of ½ of 1 per cent in the interest rate on these obligations, which is the highest price the government has had to pay since the war for its capital borrowings. The announcement of a 4½ per cent rate was considered tantamount to an official admission that the third Liberty Loan issue will bear the same rate, as against 4 per cent for the second loan and 3½ per cent for the first. On this assumption it was not strange that the outstanding Liberty issues should develop a strong tone, with the second rising well above 97. All these issues are convertible into the new loan. Foreign government loans have been firmly maintained in this market, the Anglo-French 5s holding close to 90, a price which is about 10 points above the low record level of December.

The banks were compelled last week to take steps to build up their impaired surplus reserves. Accordingly money rates were firmly maintained most of the week. Call loans ruled at 6 per cent at the Stock Exchange during the fore part of the week, easing off to 4½ per cent later, when the banks received fresh deposits of United States government funds, the total of such at the end of the week standing at \$438,825,000, an increase of approximately \$80,000,000. When money rates were most firm the bankers' money committee became active, loaning several millions of dollars on call and thus preventing an undue squeeze. Sixty-eight banks are represented on this committee, which has a \$200,000,000 pool to draw upon in any money market emergency. The committee was originally formed to assist in keeping rates easy during the flotation of the second Liberty Loan. Its life has been extended and it likely will continue during the rest of the war period as an important cog in the financial machine at this center. Interior banks withdrew a substantial amount of funds during the week again in order to take up the next issue of certificates, which will bear 4½ per cent interest. The preceding issue of 4s was sold only because the banks in New York and other

large cities took more than their share. It is expected that the interior institutions will be called upon to take their full quota of the new issue.

No Mystery in Great Rise of Silver Prices

Demand for Arts and Coinage Far Exceeds the Supply

There is no greater mystery in the rise of the price of silver than in the rise of the prices of other commodities which has occurred during the war, according to "The Statist," of London. It is simply due to a reduction in the quantity produced and to an increase in the demand for the metal; in other words, the normal working of the law of supply and demand.

For more than ten years before the war the world's output of silver had varied between 165,000,000 ounces and 226,000,000 ounces, the output rising to its highest amount in 1911, when it exceeded 226,000,000 ounces. Of the great silver producing countries Mexico until recently contributed about one-third of the total supply, but since the revolution in that country her contribution to the world's total has fallen, roughly, from 80,000,000 ounces to a little over 30,000,000. No other source of supply has increased its output to such an extent as would make up for the loss from Mexico. The great silver producers besides Mexico are the United States, with between 60,000,000 and 70,000,000 ounces, Canada, Australasia, Central and South America and Japan. None of these countries has increased its output, with the exception possibly of Australasia, but here, again, the figures are those for 1915.

Consumption in Arts

"As far as Western countries are concerned," says this authority, "it is commonly said that something more than half the consumption is to supply the demands of the fine arts, as distinct from the need of coinage. If this statement is intended to argue that the demand for the arts has been materially reduced as the result of the war, inquiries we have made on the subject do not bear out this contention. On the contrary, we find a large body of opinion holding the view that the demand for the arts has increased rather than diminished as a result of the war. It is, of course, evident that practically all over Europe the wealthy classes, as distinct from mere officials, have to a large extent ceased from entertaining, and the demand in consequence for silverplate has fallen to a minimum. But the war has brought into the market a vast number of new buyers for ornaments, whose demand in the aggregate is estimated to more than compensate for the falling off in the purchases by the wealthy classes of silverplate. Wages everywhere, not merely in England, but practically all over the world, have advanced, and particularly in Western Europe; moreover, immense numbers of women, and even children, are being employed who were not employed before, and those who were employed before have a larger income, particularly among the wage-earning classes, than has been the case in this country (England) for many years past.

"Then we have the demand for coinage. Before the war we did not merely reckon our money in pounds sterling; but the pound sterling was a well known coin, which we were all accustomed to handle. Since the war gold has disappeared entirely from circulation, and in the form of coinage very few of us who are not bankers ever see it. Paper money and silver tokens money have entirely taken its place, and, as prices are out of all proportion to what they were before, the demand for Treasury notes, and more particularly the silver token money, has increased to a still greater extent. Before the war a mintage of \$2,000,000 sterling in gold was a rare occurrence, except in one or two years in King Edward's reign, when a great deal of old coinage from the Victorian period was called in. Since the war the coinage of silver has increased three or four times over. This is true not merely of England, but of all countries either engaged in the war or who are in any way so situated that they can supply commodities upon any considerable scale to satisfy the demands of the Allies.

East Greedy for Metal

"But even the demand for Europe and North and South America is not the whole of the tale, for reliable estimates point to the conclusion that about half the annual production of silver throughout the world is absorbed by the East, meaning principally India and China. It has to be borne in mind that prices in the East have advanced as well as in Europe and the two tokens money is required there as well as here. Silver is the standard of value, and not token money at all, in China; and in India, while gold is nominally the standard of value, the rupee is the actual coin in which the Indian natives, as distinct from more government officials, reckon their wealth. Now, as one result of the war, gold, and consequently, India's export of gold; consequently, India requires a steadily increasing supply of silver, not merely to do the work that silver did before the war, but, in addition,

German Railroad Finance In a Bankrupt State

Prussian Roads Carried Enormous Volume of Traffic Last Year, but Expenses Were So Heavy That They Lost Heavily—Further Rate Increases Necessary

The New York Tribune Foreign Press Bureau

THE Prussian railroads suffered in 1917 a deficit of 250 million dollars, Minister of Finances Hergt declared in his report on the Prussian budget for 1918. He expects that this deficit will double in 1918 on account of the rise in price of coal. In outlining the new budget the minister said that the new incomes of Prussia would exceed those of last year by nearly 1,400 millions, while the expenses will be higher by 1,239 million marks than those of last year. The net surplus will be 343 millions.

Following is the text of Minister Hergt's speech before the Prussian House of Representatives:

"Assuming that on April 1, 1918, the war will still be going on, all additions to the income and supplementary taxes which had been voted on July 8, 1916, will be repealed. The incomes and the expenses of the fiscal year 1918 will balance without these additional taxes. These favorable results have been obtained in spite of the rising expenses on account of the war—the total salary of officials alone has been raised by 370 million marks because of high prices—thanks to the opening of new sources of incomes. For this purpose the railroad administration, the expenses of which also have risen on account of the war, raised the rates of passenger and freight traffic; it is expected that this will increase the receipts of the railroads by 389 million marks. In addition there remains available for the needs of the state the net proceeds of the state above the margin of 2.10 per cent for the invested capital; this would give about 159 million marks.

"In preparing the budget for 1918 the same methods have been used as in preparing that of 1917. In planning the expenses great moderation was exercised. Nevertheless, it was impossible to keep down the expenses to what they had been in previous years.

Income Exceeds 6,500,000,000 Marks

"The ordinary incomes will amount to 6,538,863,278 marks (that is, 1,381,700,000 more than during the present year). The ordinary expenses for the new year will reach 6,195,091,411 marks (1,239,400,000 marks more than during the present year). The ordinary surplus for 1918 will be 343,771,867 million marks (145,400,000 more than during the present year).

"At the head of the administrations from which a surplus may be expected stands the administration of direct taxes with a surplus of 184,700,000 marks. Then comes the forest administration with a maximum surplus of 29.1 millions. The administration of custom duties and indirect taxes promises a maximum surplus of 17.8 millions. The Prussian stamp tax can be raised by 10 millions. The maximum proceeds from maritime traffic, it is hoped, will reach 12.5 million marks. From the administration of the crown lands a surplus of 2.8 millions is expected. The surplus of the lottery administration will be higher by 880,542 marks.

"It is natural that there should be deficits during the first years of the war. But these deficits which amounted to 517 million marks have been reduced to 317 millions by means of special taxation. There is no doubt, however, that we have used up our reserves. But reserves are, anyhow, for the purpose of being

tion, to supply the void created by the prohibition of the export of gold. So serious is the question becoming in India, where, as the reader knows, the rupee has a value fixed by the government which bears no relation to its value in silver, that the government has had to regulate the movement of it would pay to melt down rupees and turn them into bars for sale in the international markets at the very time when India is in urgent need of more rupees.

"In China, as already said, silver is not token money, but is the real standard of value of the country, just as the pound sterling was in England before the war. The rise in the price of silver has reduced by about one-half the purchasing power of countries like our own, with a nominal gold currency, but in which gold no longer circulates freely. This is what we mean when we say that the Chinese exchange is seriously against this country. On the other hand, our exchange is more favorable to China than it has been for the last quarter of a century. It practically means that a Chinese merchant, say, in Shanghai, ordering goods from this country can buy twice as much for his money as he could before the war; but against that a British trader of any kind having to meet all his expenses in China in silver and to remit his profits, if he has any, on a gold basis, requires to get in double as much silver to make the same returns as he did before the war."

used up some time. As good householders we must naturally take care that we straighten out the deficit of 317 millions. This will not be easy when we consider the expenses which are continually increasing.

"Prussia's share in the payment of indemnities to Eastern Prussia is 70 million marks. These will have to come out of the Prussian treasury. The forest administration is still a Sleeping Beauty, and it will take a year before it will yield fruit. The mining administration, on the contrary, has so far had 1916 as the most successful year. Had we not borrowed in 1916 the sum of 100 million marks in order to straighten out the old deficits, our incomes and expenses would have balanced, and this would have repeated itself in 1917 and 1918.

Why Rate Increases Are Necessary

"On account of the rise in the price of coal, a new decline has taken place in the railroad administration, so that in 1918 the railroad administration will be confronted by a deficit of 500 millions; it will bring nothing to the state, will not lay aside any thing, but will have to take a few dozens of millions from the state. Here a radical improvement in the condition of income is desirable.

"We cannot impose new taxes upon the population of the empire and the states as long as there are these extraordinary differences in the communities. Therefore, we must immediately proceed to the equalization of burdens. Without any general state measures this is impossible. We furthermore need tax reserves because of the coming imperial finance reform. Naturally every Minister of Finances of Prussia must agree that the taxes on incomes and wealth belong to the states of the federation. And no Minister of Finances could take upon himself the responsibility of yielding these sources unless he received something to replace them. But the empire, the states and the communities form one unit, and this must be taken into consideration. The principle must be not only 'Give to the Kaiser what belongs to the King,' but also 'Leave to the King what belongs to the Kaiser.' At the present 3½ billion marks of the Prussian taxes go to the empire. These 3½ billions have to be substituted by other taxes.

"All this makes it necessary to raise the railroad rates—passenger rates, 10 per cent; freight rates 15 per cent; military rates 10 per cent. This rise in rates will bring a total of 389 millions. But even then the railroad administration will be unable to contribute its share to the state. One hundred and fifty-nine millions will still be missing. The new raising of the railroad rates is only temporary; we hope to abolish them after the war, but we must take the liberty of trying their effect upon traffic and state finances."

Record Profits For Distillers Securities Corp.

Earned 14.8 Per Cent on Capital Stock in 1917

Net earnings of the Distillers Securities Corporation in 1917 amounted to \$5,497,376, the largest amount ever reported for any one year in the company's history. The final net profit was \$4,799,432, equal to 14.8 per cent on the \$32,229,300 stock outstanding, compared with 10.30 per cent earned in the year ended June 30, 1916. The current report is the first issued since the fiscal year was changed to correspond with the calendar year.

In reviewing last year's operations the report stated that, by purchase and conversion of preferred stock of the Distilling Company of America, \$5,000,000 of Distillers Securities Corporation bonds were cancelled. Since January 1 an additional \$931,000 of these bonds have been retired. The cost has averaged about 72 cents on the dollar.

The company last year wrote off \$2,641,149 from its property account on account of "conditions existing at the present time." Current assets on December 31 stood at \$15,275,946, compared with current liabilities of \$12,138,517.

Baldwin Loco. Earned \$35 a Share in 1917

But Heavy Charge Against Patent Account May Prevent Early Dividend

PHILADELPHIA, Feb. 24.—Record figures in all departments were established by the Baldwin Locomotive Works last year, according to the annual report issued last night. Gross sales were \$98,263,865, compared with \$59,249,057 in 1916, an increase of nearly 60 per cent. Last year's sales came \$63,455,574 from construction of 2,748 new locomotives, \$13,835,707 from other regular work, and \$20,972,583 from shells and other special work.

From last year's business the company earned a manufacturing profit of \$11,779,019, against \$6,341,710 the previous year, and after payment of fixed charges and preferred dividends and deduction of \$1,750,000 for Federal taxes, a surplus of \$6,905,722, against \$1,219,465 the preceding twelve months. Such surplus income last year was equal to nearly \$35 a share on \$20,000,000 common stock, compared with a little more than \$6 a share the previous year.

Very large earnings had been forecast, but what will surprise the stockholders is the announcement that \$15,800,000 has been charged off from accumulated surplus for extinguishing of patents and good will, bringing the final surplus at the end of the year down to only \$55,346.

Early last week Baldwin common stock had a strong advance on reports of an early distribution on the common stock, but on Saturday it dropped sharply. Action of the board in appropriating \$15,800,000 from surplus to reduction of patent account would indicate that dividends on the common stock may not be started for some time to come.

How American Soldiers Abroad Get Their Pay

Banking Machinery Made Especially for Army in France

THE American soldier is well paid, as compensation for military service goes. He also has the hardly less appreciated satisfaction of being able to get his money with the least possible delay and inconvenience. This has been brought about through arrangements devised in part by the government and in part by bankers who have regarded it as a patriotic duty to solve the financial problems of the man who is doing the fighting.

Organization of a system for the payment of the armies at home was comparatively simple, but when it came to paying the men overseas and so arranging matters that they would get the full benefit of their allowances, an entirely new set of circumstances had to be dealt with. Most of these men were unfamiliar with the currency of France or England. In France they found the tradesmen unresponsive to the facilities of such instruments as drafts, letters of credit and checks, those mediums of exchange which make a distinct appeal to the Anglo-Saxon. Moreover, the rates of exchange allowed by the tradesmen were unstable under the pressure of war. To these difficulties was added the uncertainty of communication and transportation. The whole situation was one that the hardest soldier contemplated with something akin to dismay.

Gold Payment Suspended

At the outset the government was forced to abrogate the customary payments in gold to its soldiers on foreign service. The mere shipment of such an amount of the precious metal would involve risks too great in times like these, to say nothing of the disturbance in the money market such a turnover of gold would occasion. Consequently, resort was had to a sufficient credit established in France on which the disbursing officers with the expeditionary forces could draw. Payments are now made either by check or in the currency of France, according to the desire of the soldiers. Those who take checks send them home or deposit them with banks under some one of the arrangements devised by bankers here who have correspondents or branches abroad. For the benefit of those who take currency, a rate of exchange is established by proclamation each month. This means that the soldier gets French currency in an amount which equalizes the difference in value between the dollar and the franc. The American soldier is discouraged from taking gold abroad with him. He could not possibly make much by doing so. His Treasury check, which he may have if he desires it, is equivalent

War and Inflation

Recent figures issued by the Treasury Department show the total general stock of money in the United States on January 1, 1918, to have been \$6,256,198,271 as compared with \$5,012,045,517 on January 1, 1917.

Per capita circulation of money on January 1st last was \$48.76 as compared with \$43 a year ago and \$38.48 in 1916. A natural result has been the increase in prices of merchandise and commodities. The more money there is in circulation the less its purchasing power.

With the continued demands of our Government for money, goods and services, a certain degree of inflation seems unavoidable, but the banking system of this country should be able to control its extent. Merchants and manufacturers can co-operate at this time by conducting their business along conservative lines.

THE CITIZENS NATIONAL BANK OF NEW YORK

Established 1851

320 BROADWAY

to gold, because it is convertible into gold if sent back to this country.

Under the present law provision is made for the dependents of an enlisted man, and he is compelled to allot a certain amount of his pay. This amount is withheld by the War Department and a check for it is sent to the person or persons provided for. This compulsory allotment is never more than \$15, but he may have an additional amount or all of his pay withheld at his request, either to be deposited in some designated bank for his own benefit, or for the benefit of some one else. If the allotment is made for his own benefit he can draw checks against it, as he can against an ordinary deposit in his bank. With respect to so much of his pay as the government does not withhold he has the same privileges as he would were he a civilian.

Must Pay In Cash

It is when this same soldier crosses to England or France that difficulties present themselves. He may take his checkbook with him, but when he tries to cash a check against his allotment or against his deposit bank home his troubles begin. He is not known. His deposit in America is as unknown as he is. Those with whom he would deal ask for cash. He can have his allotment changed. His pay check will be sent to him in France and his paymaster will honor it. Then he finds himself with a month's pay, and while it is not a staggering amount he is constantly worried about losing it. Under such circumstances he is more than likely to spend it quickly. He doesn't like to deposit it in a foreign bank, because death may overtake him, and he knows that his relatives would have more trouble than the amount is worth to establish their rights in his account. It is but natural that he should long to have it arranged so that he could transact his money matters with men who speak English and who will do business with him according to methods with which he is familiar.

It was because they appreciated these conditions surrounding the soldier in France and because they had the necessary facilities abroad for doing it that certain banking houses and express companies entered into arrangements that would enable him to get his money and keep or spend it without loss or inconvenience. The Farmers' Loan and Trust Company, for example, having an office in Paris, established an agency at Bordeaux, now one of the most important parts of France, and in addition opened two others in the zone now occupied by the American troops. Bonbright & Co. arranged through their correspondents abroad to facilitate the conversion of American funds into foreign currency and to forward incomes from securities held here. The Bankers Trust Company and the express companies pointed out the advantages of their travellers' checks. Wherever they could do it bankers generally made efforts to assist the American soldier.

Through its offices in both London and Paris and its relations with the Bank of France and the Comptoir National d'Escompte de Paris—two financial institutions which together have nearly 400 branches throughout France—the Guaranty Trust Company of New York was able to offer special conveniences to officers and men who went abroad in the service of their country. The advantage of a large organization and numerous affiliations in this country and abroad was increased by the fact that both the London and Paris offices of the company were officially designated depositories of the United States government.

The plan which the trust company evolved for making the Amer-

ican soldier's pay useful to him falls into four divisions. There are arrangements for the officers and arrangements for the men; there are arrangements for the depositors and customers of the Guaranty and also for the customers of other banks. The feature of the scheme is that whether the soldier has his pay allotted to the trust company or to any other bank in this country, whether he has it allotted to the trust company abroad or receives his check and deposits it with the Guaranty Trust Company abroad, he has available to him every town of any importance.

France a bank where he can cash his checks. The soldier having an account with the company can draw against it while in France with more difficulty than a depositor has an account at the main office. He has in cashing a check at local branches; which is no trouble at all. He gets a letter of introduction to the Paris office, a draft transfers his account to France and his check are good at all correspondent offices. If his pay is allotted to the Paris office he should subsequently the record in New York of his arrangement would expedite payment to his relatives and insure safety.

When the soldier is not a depositor of the trust company, but of some other bank, which may or may not be a customer of the Guaranty, and lots all or a part of his pay to the bank, he can obtain full checking privileges in France by having a home bank arrange for what is known as a revolving credit. In effect this is a letter of introduction informing the Paris office of the trust company and also the Comptoir National d'Escompte de Paris that the holder has on deposit and is entitled to negotiate checks on these institutions not exceeding in amount \$500 in any two consecutive months.

Revolving Credit

At the beginning of every second month another credit is available to the soldier. That is why it is called a revolving credit. The arrangement which the soldier's home bank makes with the trust company involves the remission of funds which the soldier desires transferred to Europe. This is done by draft and no charge for service is made. In fact, all services rendered to soldiers or banks which desire to help soldiers in getting and using their pay are without charge.

Through a similar use of revolving credits American officers, whether depositors of the company or not, may cash checks drawn on the Paris office of the Guaranty. The arrangements which they make with their home banks make for them are like those made by or on behalf of enlisted men. Under this arrangement any officer of a grade below lieutenant colonel may cash his checks for an amount up to 100 francs at any time at any of the branches of the Bank of France, and may repeat this operation six times during any calendar month. For officers of the grades of lieutenant colonel or colonel the amount is 500 francs for any one check. For grades of general the amount is 1,000 francs. Checks must be presented by the drawer in person, made out in his favor and indorsed by him.

Jute Situation in Scotland

Owing to the rather critical conditions prevailing in the jute industry in Scotland the Dundee jute spinners and manufacturers are largely in favor of resorting to a stoppage of a certain proportion of machinery in their own plants. The government has made known its desire for a reduction of 10 per cent on the 1916 consumption of raw jute, and at a recent meeting of the spinners and manufacturers it was unanimously agreed that the reduction should be effected by a curtailment of machinery rather than by running on short time.